

4.2 Marketing Planning

- Marketing plans

- Introduction

- A marketing plan is a document outlining a firm's marketing objectives and the marketing strategies used to achieve these objectives
 - It includes



- Marketing objectives that are SMART (specific measurable, agreed, realistic and time bound), such as the expected market share or sales turnover within a specified time frame
 - An outline of the marketing mix, including the product design, channels of distribution to be used, anticipated price (and pricing methods and the promotional strategies to be used

- The purpose of marketing planning

- Marketing planning is the systematic process of devising marketing objectives and appropriate marketing strategies to achieve these goals
 - The typical marketing process involves the following steps

- Marketing audit

- Marketing audit is a review of the current position of an organization's marketing mix in terms of its strengths and weaknesses and consideration of opportunities and threats facing the organization
 - The audit might address questions and issues such as the intensity of competition in the market, the firm's product portfolio and an assessment of the effectiveness of its marketing

- Marketing objectives & strategies

- Evaluation

- this is an examination of the extent to which the business has succeeded in achieving its marketing objectives

- The evaluation is used to aid decision-making and subsequent rounds of marketing planning

- Advantages and disadvantages of marketing planning

- Advantages
 - Improves the chances of success
 - Provides clear objectives and constraints to various functional areas
 - Allows managers to have better control and understanding of their operations
- Disadvantages
 - Time cost
 - Money cost
 - Human resources cost
 - Plans may be inflexible and outdated as they do not all for sudden changes in market conditions

- Target markets and market segments

- Markets and segments



- A market for a particular good or service consists of different types of customers, subdivided into market segments
- A market segment refers to a distinct group of customers with similar characteristics (such as age and gender) and similar needs or wants
- Target market
 - If a firm wishes to sell to particular market segment, then this known as target market
- Businesses segment their markets for several reasons
 - Better understanding of customers

Market segmentation enables a business to better understand the needs and wants of its various customer groups. A clearer marketing strategy therefore reduces the chances of wasting resources on marketing products in the wrong places and to the wrong people
 - Higher sales revenues

Being able to cater for a wider range of customers in a market can help a business to sell more products and hence earn more profit

- **Growth opportunities**

Effective market segmentation can help businesses to identify new opportunities in local, regional and international markets

- **Support for product differentiation strategies**

Having a better understanding of different market segments allows a business to effectively differentiate its products and spread its risks by devising more appropriate marketing plans and marketing mixes for different subgroups of the market

- **Consumer profiles**

- **Introduction**

- A market segment refers to a distinct group of customers with similar characteristics (such as age and gender) and similar needs or wants
 - These similar characteristics are based on consumer profiles

- **Demographic factors**

- Demography is the study of the characteristics of the human population within a certain area, country or region
 - The range of demographic variables include
 - Age
 - Gender
 - Race and ethnicity
 - Marital status
 - Religion
 - Language, income and social economic class

- **Geographic factors**

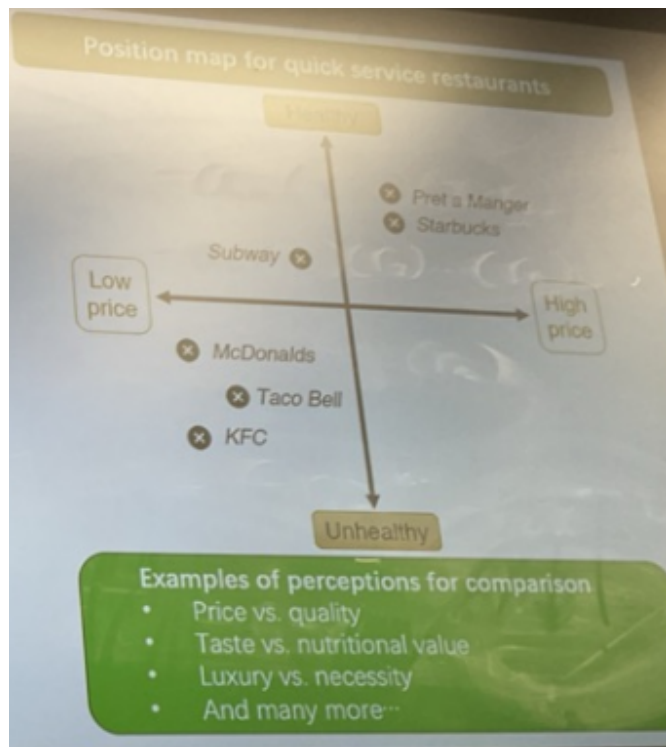
- The geographic location of customers can have implications for segmentation because demographic factors can be largely influenced by geographic issues
 - Geographic factors fall into two broad categories
 - Location
 - Climate

- **Psychological factors**

- Psychological factors are those that consider the emotions and lifestyles of customers
 - These factors include
 - Hobbies and interests
 - Values
 - Religion
 - Status
 - Culture

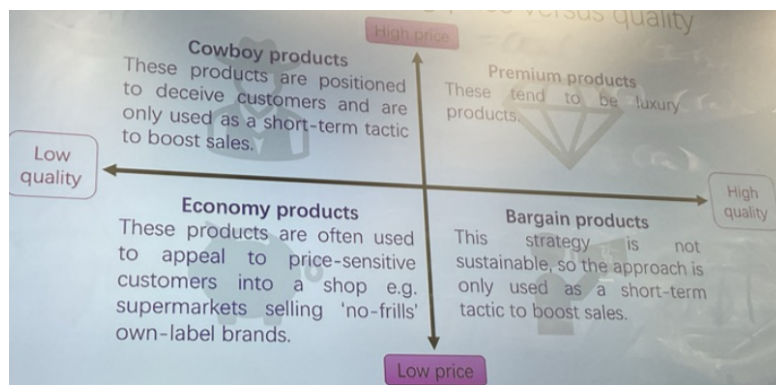
- **Position maps**

- **Introduction**



- A position map reveals customer perceptions of a product or brand in relation to others in the market
- They allow a business to identify any gaps in its product portfolio and refine its marketing strategies, such as
 - Targeting market segments based on customer perceptions
 - Repositioning a brand to overcome undesirable customer perceptions

- **Position maps comparing price vs quality**



- **Niche markets and mass markets**

- **Introduction**

- Niche marketing is a specific marketing strategy/marketing approach that focuses on identifying and meeting the needs and wants of a small market segment
 - Examples include
 - Luxury yacht makers
 - Haute couture
 - Minority sports(e.g. disc golf)

- **Niche vs mass markets**

- Niche markets often create business opportunities for small firms to compete with larger companies that may have an established customer base and large market share

- Prices in niche markets tend to be relatively high because

There is limited direct competition

The lack of direct competition also means that customer loyalty is likely to be high

The lack of substitutes mean that premium prices can be charged in order to gain high profit margins

As markets are small and focused, there are few opportunities for economies of scale

- Advantages and disadvantages of niche marketing

- Advantages

- There is better focus as a specific market segment is targeted. By contrast, mass marketing has no real focus and markets products to all customers
- As there is less competition, businesses can charge higher prices for their unique or exclusive products. This helps the business to benefit from higher profit margins on its products
- Businesses become highly specialized in meeting the needs and wants of their niche target market. This can help to deliver first-rate customer service and encourages customer loyalty

- Disadvantages

- Niche markets are small which limits the number of potential customers in the market. By contrast, mass markets cater for much wider customer base
- Due to the limited market size, businesses operating in niche markets have few, if any, opportunities to exploit economies of scale. Thus, average costs of product tend to be higher
- Successful and profitable niche markets attract new entrants into the industry. The threat of larger firms entering the market might endanger the survival of businesses operating in niche markets

- Mass markets

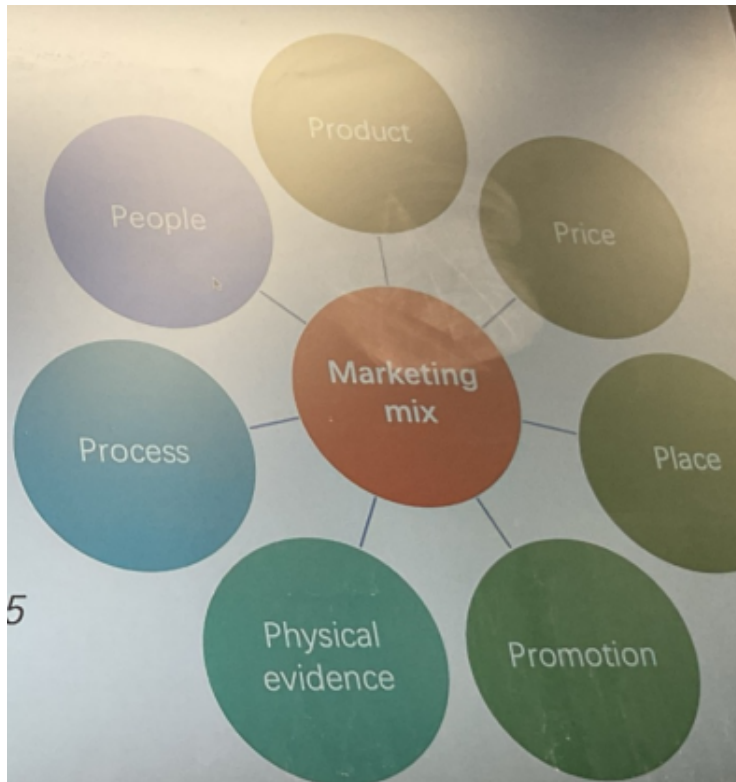
- Mass marketing is the marketing strategy aimed at all customers in a market without having split them into separate market segments as the business provides goods and services that appeal to wide-ranging groups of customers

- Advantages and disadvantages of mass marketing

- Advantages

- Businesses can gain from huge potential economies of scale by supplying products in mass markets, thereby helping them to cut unit costs and/or raise profit margins
- There is no need to modify marketing strategies for different market segments as the whole market can be targeted with a single marketing campaign. This saves both time and resources

- Catering for larger (mass) markets means that the business can establish a larger customer base, thereby earning higher sales revenues and more profits
- Disadvantages
 - Mass marketing is not suitable for all businesses due to the high barriers to entry required for mass production, such as high setup cost
 - Competition can become quite fierce as customers must be persuaded to buy the firm's products rather than to buy from ?competitor. Thus, marketing budgets must be substantial to remain competitive
 - As there is a lack of focus, mass marketing can be quite wasteful, as specific consumer groups are not being directly targeted
- Unique selling point
 - Competitive advantages from USPs
 - Introduction
 - A unique selling point (USP) is any aspect of a business, product or brand that makes it stand out from competitors
 - The USP explains why customers buy the product over rival ones
 - Examples
 - Being the only firm in an area to supply a certain product
 - First mover advantage
 - Reputation for high quality
 - Reputation for low cost
 - A highly popular slogan
 - Differentiation
 - Introduction



- Differentiation is the act of distinguishing a business or its products from rivals in the industry
- Common methods of differentiation revolve around the marketing mix
- Advantages and disadvantages of differentiation
 - Advantages
 - Price advantages
 - Brand recognition and loyalty
 - Distribution advantages
 - Disadvantages
 - Costly
 - Economies of scale cannot be exploited
 - Excessive differentiation can confuse customers

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